

## ANNUAL SHAREHOLDERS MEETING

### Rick Wheeler, President & CEO

February 9, 2023

*To begin, this commentary may include forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. As such, these statements are subject to both known and unknown risks, some of which are discussed in our Annual Report and our S.E.C. Form 10-K and 10-Q filings.*

I'll first review our 2022 fiscal year, which ended on September 30, 2022. I'll then follow up with an update on the company through the first quarter of fiscal year 2023. As final thoughts, I will comment on what lies ahead for Geospace Technologies.

### REVIEW OF FISCAL YEAR 2022

As we began fiscal year 2022 on October 1, 2021, our Oil and Gas segment had just closed out a challenging fiscal year. Demand for oil and gas had been improving from pandemic lows but was still well below pre-COVID levels. For the oil and gas industry, uncertainty had been a pervasive mantra. With nations worldwide aspiring to find a new normalcy and a way to ramp up their deeply stalled economies, uncertainty continued to be the persistent influencer throughout 2022. This was only amplified with Russia's invasion of Ukraine, China's zero-COVID lockdown policies, and looming recession. Rystad Energy, a trusted source of energy industry research, also reported in September that the adverse political landscape for fossil fuels was yet another factor perpetuating a year of continued decline in exploration spending by oil and gas

companies. They were instead focused on getting the most out of existing assets. This proved beneficial for sales and rentals of our OBX ocean bottom node technology, which provides an efficient means of lower risk exploration near existing fields. However, despite this benefit, revenue from our Oil and Gas segment in fiscal year 2022 dropped below that of the prior three years, due to the overall reduced demand for seismic exploration products.

In stark contrast, our Adjacent Markets segment charted a completely different path through fiscal year 2022, one marked by continued growth. The foundation of our vision for mitigating the sensitivities of our Oil and Gas Market segment to market fluctuations has been the strategic diversification into other products that are aligned with our core engineering and manufacturing competencies. It is rewarding to see the tangible payoff of these efforts. Having already set a record for generated revenue in the previous year, fiscal year 2022 saw our Adjacent Markets segment reach even greater heights, beating that full year record by 21%. Results might have been even better had supply chain issues not interfered with the anticipated roll out of our Aquana smart water valves and cloud control platform. Let's now turn to the recently reported first quarter of fiscal year 2023.





## FIRST QUARTER OF FISCAL YEAR 2023

Covering October 1 through December 31 of 2022, our first quarter of fiscal year 2023 generated \$31.1 million in revenue, the company's highest quarterly figure in eight and a half years. More than \$10.8 million was contributed by our Adjacent Markets segment, an amount within roughly 1% of the segment's all-time high. This further demonstrates the benefits gained by our targeted diversification strategy. As is typical though, our Oil and Gas Market segment produced the greatest component of revenue at over \$20.1 million. This is more than double the amount of last year's first quarter. Rental contracts for our OBX ocean bottom nodes were the primary source of this revenue, although a notable portion came in the way of compensation for lost OBX rental equipment. After factoring in expenses, the first quarter posted a net loss of a penny per share. However, this slight loss comes after including a combination of one-time charges totaling over \$1.4 million. These charges were associated with our restructuring activities, Russian write-offs, and certain non-recurring repair costs, all of which support our plan of action toward profitability. This leads us to examine what we see ahead for Geospace in the remainder of fiscal year 2023.

## WHAT LIES AHEAD IN FY 2023

While there are some signs of improvement in land seismic exploration, most of the positive indicators we see are related to offshore work. We're encouraged by the growing number of proposed ocean bottom surveys and the increase in demand this portrays for our ocean bottom nodal recorders. This includes our industry proven OBX as well as our Mariner™, comprising the latest technology in ocean bottom recording. We believe this will continue to drive our Oil and Gas Market segment revenue over the year. In addition, new interests in deploying our OptoSeis™ fiber optic technology in high temperature downhole environments are under discussion for later in the year. And while customer dialog remains active for OptoSeis

permanent reservoir monitoring (PRM) applications, we don't anticipate any revenue from such a system this year.

After the first quarter, our Quantum subsidiary secured a contract with a federal government contractor for an application unrelated to our previous border security work. This could potentially lead to additional contracts in the future and could also open new avenues for the use of OptoSeis technology. In addition, use of Quantum's unique, near real-time analytics to monitoring carbon sequestration as well other acoustic applications within our Oil and Gas segment are also being pursued.

Our Adjacent Market products are poised for yet another year of continued growth. In addition, revenue from our Aquana smart water valves and cloud platform should begin meaningfully contributing to the segment this year.

## CONCLUSION

In summary, each of our business segments are well positioned to see increased revenues this year. Fiscal year 2023 will also see the earnest continuation in all aspects of our plan to reach profitability. This entails clear and careful examination of our costs, efficiencies, and revenue sources as well as the execution of identified steps to revamp and restructure the organization. As such, we expect fiscal year 2023 to be a productive, transformative year for the company.

In closing, I'd like to heartily thank our dedicated employees. They continue to be the most important ingredient to our success and are instrumental in providing best in class products and services to our revered customers. I'd also like to thank you, our valued shareholders, for the support and trust you place in Geospace. This strengthens our resolve to provide the best value possible to both shareholders and customers alike.